

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

IN THE MATTER OF)
)
INSURANCE COMPANY OF) CONSENT ORDER
NORTH AMERICA,) LEVYING A FINE
)
) NO. D03-37
An Authorized Insurer.)

FINDINGS OF FACT

1. Insurance Company of North America ("INA" hereafter) is a motor vehicle, disability, surety, marine, and property and casualty insurer authorized to do business in the State of Washington.

2. Travel Guard Group, Inc. ("Travel Guard" hereafter) is an out of state corporation licensed as an insurance agent in Washington.

3. Between 1985 and 1990 and 1997 and 2002, INA has underwritten Travel Guard's trip insurance and travel related insurance products and Travel Guard has been appointed by INA as INA's agent to sell and deliver such insurance in Washington and to Washington residents.

4. Effective June 1, 1997, INA entered into a series of agreements with Travel Guard consisting of a Program Agreement, Quota Share Reinsurance Agreement, and Underwriting Agreement, pursuant to which agreements INA issued out of state blanket policies of accident and health and property/casualty (it is important to note that these insurance products have property/casualty coverage components too, since that formed the basis for the OIC's request for split rate justifications) insurance covering residents of Washington and other states who purchased trip insurance and other travel related insurance products sold by Travel Guard and Travel Guard's subagents.

5. Pursuant to the Program Agreement between Travel Guard and INA, INA agreed to file rates and forms in those states that required rates and forms filings, and INA agreed to use its best efforts to obtain approval of such rates and forms.

6. The Underwriting Agreement appointed Travel Guard as INA's agent to underwrite, market, solicit, bind, rate, quote and issue insurance policies underwritten by INA and required INA to promptly make appropriate rate and form filings in specified states, including Washington, specifying a target approval date for Washington of July 31, 1997.

6.5 Under Section 2.b.(ix) of the Underwriting Agreement, Travel Guard was obligated to provide any actuarial reports required in connection with INA's regulatory filing efforts, including INA's filing efforts in the State of Washington.

7. In May of 1997, INA filed rates and forms with the Office of the Insurance Commissioner ("OIC") for the Travel Guard travel insurance products insured by INA and continued negotiating approval of OIC through 1998 and into 1999. OIC's requirement for said filings were not satisfied. After INA was unable to obtain from Travel Guard certain rating information the OIC had requested, the filings were not approved.

8. On April 15, 2002, OIC learned from Travel Guard that it had been selling and delivering certificates of coverage to Washington residents for travel insurance underwritten by INA using forms and rates that had never been approved by OIC. INA then submitted new rate and form filings to OIC for the Travel Guard products underwritten by INA on May 16, 2002, which filings were initially disapproved. The filings were finally approved effective September 5, 2002 after being modified in response to OIC objections.

9. On August 8, 2002, OIC entered Order to Cease and Desist No. D 02-128 ordering INA and its agents to cease soliciting Washington residents to purchase and to cease issuing to Washington residents policies or certificates of coverage for travel insurance for which the appropriate rates and forms had not been submitted to, and approved by, the Office of the Insurance Commissioner.

10. As reported by Travel Guard, in 2001, INA's agent, Travel Guard, maintained 51 travel insurance "wholesale" accounts in Washington through which 84,710 individuals obtained travel insurance underwritten by INA, and Travel Guard made "retail" sales and delivered 11,602 certificates through which 18,004 individuals obtained travel insurance underwritten by INA. As reported by Travel Guard, in 2002, prior to entry of Order to Cease and Desist No. D 02-128, Travel Guard maintained 34 travel insurance "wholesale" accounts in Washington through which 41,496 individuals obtained travel insurance underwritten by INA and Travel Guard made "retail" sales and delivered 8,380 certificates through which 13,529 individuals obtained travel insurance underwritten by INA.

11. In addition to the 146,188 certificates reported by Travel Guard to have been sold in Washington in 2001 and in 2002 prior to OIC's entry of Order to Cease and Desist No. D 02-128, as reported by Travel Guard, between 1997 and 2001, INA, through its agent, Travel Guard, knowingly delivered to Washington residents additional certificates of coverage for travel insurance under blanket master policies for which the applicable certificate of coverage forms had not been approved by OIC using premium rates that also had not been approved by OIC.

CONCLUSIONS OF LAW

1. INA's delivery in Washington and to Washington residents of allegedly over 146,000 certificates of coverage for travel insurance when the certificate forms were not approved constitutes over 146,000 violations of RCW 48.18.100 in 2001 and 2002 and multiple additional violations in the years between 1997 and 2001.

2. INA's delivery in Washington and to Washington residents of allegedly over 146,000 certificates of coverage for travel insurance using premiums and rates that were not approved constitutes over 146,000 violations of RCW 48.19.040 in 2001 and 2002 and multiple additional violations in the years between 1997 and 2001.

CONSENT TO ORDER

INA wishes to resolve this matter without further administrative or judicial proceedings. Except for the numerical information reported by Travel Guard, including the alleged number of accounts, individual insureds, and certificates, which INA neither admits nor denies for lack of sufficient information upon which to predicate a belief, INA hereby admits to the foregoing findings of fact and conclusions of law and to a substantial number of violations of RCW 48.19.040 and RCW 48.18.100, consents to the entry of this order, and acknowledges its duty to comply fully with the applicable laws of the State of Washington.

By agreement of the parties, the OIC will impose a fine of \$500,000 upon the Company

Pursuant to RCW 48.05.185, failure to pay the fine timely shall constitute grounds for the revocation of the insurer's certificate of authority and for the recovery of the fine in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

EXECUTED this 21st day of March, 2003 by:

INSURANCE COMPANY OF NORTH AMERICA

Signed Name: _____

Printed Name: _____

Printed Title: _____

ORDER:

Pursuant to RCW 48.05.185, the Insurance Commissioner hereby imposes a fine of Five Hundred Thousand Dollars (\$500,000) upon Insurance Company of North America. The fine must be paid in full within thirty days of the entry of this order in

Tumwater, Washington. Failure to pay the fine timely shall constitute grounds for the revocation of the insurer's certificate of authority and for the recovery of the fine in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT TUMWATER, WASHINGTON on this 2nd day of April, 2003.

Mike Kreidler
Insurance Commissioner

By: _____
Charles D. Brown
Staff Attorney, Legal Affairs